

Message Text

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PAGE 01 HELSIN 01887 101720Z

73

ACTION COME-00

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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R 101401Z SEP 76

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 0452

INFO USMISSION GENEVA

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EO 11652: N/A

TAGS: ETRD, EFIN, GATT, FI

SUBJECT: EXPORT INFLATION INSURANCE

REF: A) STATE 217983, B) GENEVA 5660

1. INFORMATION ON POINTS REFTEL A THAT IS AVAILABLE IN
PUBLISHED MATERIALS AND PRESS, SUPPLEMENTED BY ROUTINE
TELEPHONE INQUIRY, IS AS FOLLOWS:

-- COST ESCALATION COVER (K-GUARANTEES) CLAIMS PAID IN
1974 AND 1975 TOTALED FMK 150.5 MILLION AND FMK 394.6
MILLION. PREMIUMS AMOUNTED TO FMK 3.6 AND FMK 22.0
MILLION, LEAVING ANNUAL DEFICITS OF FMK 146.9 AND FMK
372.6 MILLION. NET DEFICIT FOR 1964-1975 IS FMK 574.4
MILLION. LAST SURPLUS YEAR WAS 1971. AT END OF 1971,
CUMULATIVE NET DEFICIT WAS FMK 4.7 MILLION. ACCORDINGLY,
WE UNABLE CLARIFY KAARLEHTO'S REMARKS.

-- K-GUARANTEE SCHEME AIMS PRIMARILY AT ENCOURAGING
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EXPORTS OF THE SHIPBUILDING INDUSTRY AND OTHER HEAVY METAL

INDUSTRIES. SHIPS AND PAPER-MAKING MACHINERY ARE THE MAIN ITEMS. ONLY GEOGRAPHICAL BREAKDOWN AVAILABLE IS ON EXPORTS TO USSR VERSUS REST OF WORLD. DURING 1964-74 FMK 3.2 BILLION IN EXPORTS TO USSR RECEIVED K-GUARANTEES, COMPARED WITH FMK 3.0 BILLION TO OTHER COUNTRIES.

-- ON APRIL 8 A GOVERNMENT-APPOINTED COMMITTEE HEADED BY CHANCELOR OF THE HELSINKI SCHOOL OF ECONOMICS KLAUS WARIS RECOMMENDED THAT THE PRESENT SYSTEM BE CONTINUED WITH MINOR CHANGES. THE COMMITTEE RECOMMENDS THAT, AS BEFORE, GUARANTEES SHOULD NOT BE GRANTED ON EXPORTS WITH DELIVERY TIMES OF LESS THAN 18 MONTHS. FOR DELIVERIES OF OVER 60 MONTHS GUARANTEES COULD BE GRANTED IF THERE ARE SPECIAL REASONS. AT PRESENT GUARANTEES FOR OVER 60 MONTHS ARE NOT PERMITTED. SHOULD THE VALUE OF A DELIVERY BE FMK 100 MILLION OR OVER OR DELIVERY TIME 36 MONTHS OR OVER, AN EXPORTER SHOULD OBTAIN AN ADVANCE DECISION FROM THE AUTHORITIES BEFORE SUBMITTING A BINDING BID. COST INCREASES DURING THE NINE-MONTH PERIOD IMMEDIATELY FOLLOWING SIGNING OF DELIVERY CONTRACT WOULD NOT BE TAKEN INTO ACCOUNT IN COMPUTING COMPENSATION. INCREASES IN COSTS DURING THE NINE MONTHS WOULD BE BORNE BY EXPORTERS. AFTER THIS PERIOD EXPORTERS WOULD NO LONGER RECEIVE FULL COMPENSATION FOR INCREASES; THE PROPORTION WOULD DEPEND ON THE PERCENTAGE OF THE EXPORTERS' OWN RESPONSIBILITY, TO BE PRESCRIBED IN EACH CASE BY GOVERNMENT, TAKING INTO ACCOUNT RATE OF INFLATION AS WELL AS PRODUCTIVITY AND EMPLOYMENT CONSIDERATIONS IN THE PARTICULAR SECTOR. SO FAR, NO ACTION HAS BEEN TAKEN ON THE REPORT.

-- GOVERNMENT HAS DECIDED IN PRINCIPLE THAT COST OF CONSTRUCTION ABROAD CARRIED OUT PRIMARILY BY FINNISH LABOR WOULD BE ELIGIBLE FOR K-GUARANTEES. PURPOSE OF DECISION WAS TO EXPEDITE LONG-DRAWN-OUT NEGOTIATIONS ON LARGE KOSTAMUS MINING PROJECT IN USSR, WHICH HAVE NOT YET BEEN CONCLUDED, AND PERHAPS OTHER LARGE PROJECTS IN USSR. TERMS AND CONDITIONS WOULD PARALLEL THOSE DESCRIBED EARLIER, BUT HAVE NOT LIMITED OFFICIAL USE

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PAGE 03 HELSIN 01887 101720Z

BEEN MADE KNOWN PUBLICLY.

2. WE WOULD BE GLAD TO APPROACH GOF OFFICIALS DIRECTLY FOR MORE INFORMATION IF DESIRED.
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